

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Periodic Reporting
(Proposal Nine)

Docket No. RM2015-2

CHAIRMAN'S INFORMATION REQUEST NO. 4

(Issued January 19, 2016)

To clarify the Postal Service's proposed modifications to Proposal Nine, the Postal Service is requested to provide a written response to the following questions and requests. The answers should be provided by February 2, 2016.

1. The Postal Service filed a revised carrier mixed mail cost distribution program on June 10, 2015, for the distribution of mixed mail costs by route group rather than route type.¹ One programming change appears to exclude training route costs from the estimated "LETTER ROUTES" costs total.² The Commission seeks additional explanation for two changes to this "SAS" program. Under the current methodology, training route costs (In-Office Cost System (IOCS) route 99 code) are included in the costs of the letter routes group in the "CARMM" distribution of mixed mail costs. The current IOCS grouping (in-office direct labor costs and the route 99 costs) in the "CARMM" program appears to be consistent with an established volume variable cost relationship: the overhead in-office support costs (which include non-route specific support costs) are considered volume variable to the same degree as in-office direct labor costs.

¹ See Reply Comments of the United States Postal Service Regarding Revised Proposal Nine, June 10, 2015, electronic file "ACARMMRG.rtf."

² See Library Reference USPS-RM2015-2/3, workbook "I_FORMS_TACS.xlsx," worksheet "I_CS06.0.2.2," column B.

- a. The first change is on page 4 of the “ACARMMRG” program, in which training route costs are removed from the current IOCS groupings and placed in a new grouping, IOCS route 99 code. As a result, the total costs include letter routes costs only. Please confirm that the costs of the new training route group are excluded from the estimates produced/used in the processing of the “ACARMMRG” program. If not confirmed, please explain.
- b. The second change is on page 14 of the “ACARMMRG” program, in which the code “*where class ~=’99 Other” has been commented out/inactivated. Please confirm that the impact of this code change is to deactivate this portion of code. If not confirmed, please explain.
- c. Please explain the reasons for these changes to the mixed mail program groups or file a corrected program if this additional code was inadvertent.
- d. If the exclusion of the training route costs in the “ACARMMRG” program is intentional, please discuss how and whether this calculation step is consistent with the development of costs by segment and components for cost segment 6 in Docket No. ACR2014, Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2014, July 1, 2015. See “CS06-14” sections 6.2.1 and 6.2.3 at 6-2, 6-3.

By the Acting Chairman.

Robert G. Taub